Well-being Across America: More Unequal, More Insecure

Community Indicators of Financial Security, Opportunity and Resiliency

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The views expressed are those of the authors and do not necessarily reflect the views of the Federal Reserve Bank of New York or the Federal Reserve System.
Overview

Credit Data as a Lens on Community Well-being

- Credit data are current and cover communities across America; enable apples-to-apples comparisons
- Access to credit is a financial asset to pursue economic opportunity and enhance financial security
- Analytical challenge—policy focus is on access but data report outcomes
- Our tool—Credit Security Index; evidence on over 12,000 cities from 2005–2018

Takeaways

- Scores confirm unequal access to opportunity across communities
- Over time, access is dynamic—some cities are perennially high opportunity or entrenched in credit insecurity, others are on upward or downward trajectories
- The combination of current score and time trend can support proactive policy actions

Slides will be available on the New York Fed’s website.
Tool: score a community’s credit access for opportunity

Credit Security Index Components

\[
\text{Credit Security Index} = \frac{1}{4} \times (\text{Included in the Formal Credit Economy} + \text{Revolving Credit Utilization <30%} + \text{Prime Credit Score} + \text{On-time Payers})
\]

Index Severity Tiers

**BEST SEVERITY TIER**

- **CREDIT-ASSURED TIER**
- **CREDIT-LIKELY TIER**
- **CREDIT MID-TIER**

**WORST SEVERITY TIER**

- **CREDIT AT-RISK TIER**
- **CREDIT INSECURE TIER**
U.S. Security Index Scores: access varies over time

Credit Security Index, U.S., 2005–2018

Sources: New York Fed Consumer Credit Panel/Equifax & U.S. Census Bureau’s Population Estimates Program
Access is unequal across U.S. cities

Credit Security Index, U.S. Cities, 2018 N=12,899

39% E.g., Bellevue, WA
16% E.g., Jersey City
13% E.g., NYC, LA, Boston, Atlanta
17% E.g., Dallas, Miami, Chicago
15% E.g., Newark, Detroit, Baltimore

Access was dynamic over the 2007–2018 macro-economic cycle

Credit Security Index, Change in Severity Tier by Cities, 2007–2018

- **Upgrade**: 21%
- **No Change**: 58%
- **Downgrade**: 21%

Credit Security Index, Migration by Severity Tiers by U.S. Cities, 2007–2018

<table>
<thead>
<tr>
<th>Year</th>
<th>CREDIT-ASSURED</th>
<th>CREDIT-LIKELY</th>
<th>CREDIT-AT-RISK</th>
<th>CREDIT-INSECURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>37%</td>
<td>17%</td>
<td>16%</td>
<td>17%</td>
</tr>
<tr>
<td>2018</td>
<td>39%</td>
<td>16%</td>
<td>17%</td>
<td>15%</td>
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</tbody>
</table>


Tier upgrade cities: access improved above 2007 levels

Credit Security Index, U.S. Cities with Upgraded Severity Tiers, 2007–2018


Tier downgrade cities: more insecure in 2018 than in 2007

Credit Security Index, U.S. Cities with Downgraded Severity Tiers, 2007–2018

Credit Security Index, Severity Tier Distribution for Downgraded Cities, 2018

21% of all Cities
N=2,491

1% E.g.: South Jordan, UT, Aloha, OR
4% E.g.: McKinney, TX, Lafayette, LA
16% E.g.: Tulsa, OK, Syracuse, NY, Norfolk, VA

Credit-Assured Tier 22% Credit-Likely Tier 23% Credit-Mid Tier 31% Credit-At-Risk Tier 23%

Credit-Insecure Tier

Unchanged tier cities: nearly a third are stuck in low access

Credit Security Index, U.S. Cities with Unchanged Severity Tiers, 2007–2018

Credit Security Index, Severity Tier Distribution for Cities with Unchanged Tiers, 2007–2018

58% of all Cities
N=6,965

## Examples: access today and momentum from 2007

<table>
<thead>
<tr>
<th>Credit Security Index Severity Tiers, 2018</th>
<th>Upgraded from 2007</th>
<th>No Change from 2007</th>
<th>Downgraded from 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BEST</strong></td>
<td></td>
<td></td>
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<tr>
<td>Credit-Assured 39%</td>
<td>9%</td>
<td>30%</td>
<td>5%</td>
</tr>
<tr>
<td>E.g., San Diego, CA; San Jose, CA; Portland, OR; Anchorage, AK; Virginia Beach, VA</td>
<td>E.g., San Francisco, CA; Seattle, WA; Scottsdale, AZ</td>
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<td>E.g., Santa Clarita, CA; Fargo, ND; Fort Collins, CO; Bend, OR</td>
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<tr>
<td>Credit-Likely 16%</td>
<td>5%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>E.g., Austin, TX; Denver, CO; Sacramento, CA; Oakland, CA; Mesa, AZ; Jersey City, NJ; Yonkers, NY</td>
<td>E.g., Omaha, NE; St. Petersburg, FL; Salt Lake City, UT</td>
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<tr>
<td>Credit Mid-Tier 13%</td>
<td>4%</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>E.g., New York, NY; Los Angeles, CA; Boston, MA; Phoenix, AZ; Atlanta, GA; Nashville, TN; Kansas City, MO</td>
<td>E.g., Jacksonville, FL; Charlotte, NC; Washington DC; Las Vegas, NV; Oklahoma City, OK; Raleigh, NC</td>
<td></td>
<td>E.g., Wichita, KS; Fort Wayne, IN; Bethlehem, PA; Waldorf, MD; Largo, FL</td>
</tr>
<tr>
<td>Credit At-Risk 17%</td>
<td>3%</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>E.g., Houston, TX; Dallas, TX; Miami, FL; Santa Ana, CA; St. Louis, MO; Providence, RI</td>
<td>E.g., Chicago, IL; Philadelphia, PA; Indianapolis, IN; San Antonio, TX; Columbus, OH; Fort Worth, TX; El Paso, TX</td>
<td></td>
<td>E.g., Tulsa, OK; Greensboro, NC</td>
</tr>
<tr>
<td><strong>WORST</strong></td>
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<tr>
<td>Credit-Insecure 15%</td>
<td>10%</td>
<td>5%</td>
<td></td>
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<tr>
<td>E.g., Detroit, MI; Memphis, TN; Baltimore, MD; Milwaukee, WI; Rochester, NY</td>
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<td>E.g., Norfolk, VA; Baton Rouge, LA; Albany, NY; Flagstaff, AZ</td>
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</tbody>
</table>

# Characteristics of credit security momentum

## City groups

<table>
<thead>
<tr>
<th></th>
<th>Included in formal credit economy</th>
<th>Revolving credit</th>
<th>Utilization &lt;30%</th>
<th>Prime credit score</th>
<th>On-time payers</th>
</tr>
</thead>
</table>
| **Upgraded tiers**  
N=2,565 | ![Upgraded](arrow-up) | ![Upgraded](arrow-up) | ![Upgraded](arrow-up) | ![Upgraded](arrow-up) | ![Upgraded](arrow-up) |
| **Downgraded tiers**  
N=2,491 | ![Downgraded](arrow-down) | ![Downgraded](arrow-down) | ![Downgraded](arrow-down) | ![Downgraded](arrow-down) | ![Downgraded](arrow-down) |


Closing thoughts

- We score a city’s access to credit with the Credit Security Index
- The evidence confirms patterns of inequality across American cities
- The evidence also shows that access is dynamic over time—some cities are perennially high or low opportunity, others had upward or downward momentums from 2007 to 2018
- A city’s score and underlying momentum can sharpen policy and practice
  - Upward momentums point to local strengths even though the current score is low
  - Downward momentums might be early indicators of nascent conditions, to be addressed with proactive actions
For more information

Go to NYFed.org/CommunityCredit

Comprehensive data
A decade of data, updated annually at no charge
See Interactive

Community Credit framework and indicators
Extensive maps and charts presenting trends for the U.S. and counties
2016 Chartbook
2015 Chartbook
2014 Chartbook

Unequal access to credit
Expands the Community Credit framework to incorporate the hidden impact of credit constraints on America’s communities
See Report

Zip Code-level analytics for NY communities
In-depth credit profile of three regions identifying neighborhoods with entrenched credit distress
Long Island
City of Rochester
New York City